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TO: The Honorable Detroit City Council

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: March 22, 2024

RE: **RESOLUTION IN SUPPORT OF MICHIGAN SENATE BILL 632 OF 2023
CONCERNING PAYDAY LOANS**

Council Member Angela Whitfield-Calloway requested that the Legislative Policy Division (LPD) provide a resolution in support of Michigan Senate Bill 632 of 2023, which would amend the Deferred Presentment Service Transactions Act to prevent certain predatory lending practices associated with payday loans.

Please contact our office if we can be of any further assistance.

BY COUNCIL MEMBER ANGELA WHITFIELD-CALLOWAY

**RESOLUTION IN SUPPORT OF MICHIGAN SENATE BILL 632 OF 2023 CONCERNING
PAYDAY LOANS**

WHEREAS The term “payday loans” is used to describe the practice of providing short-term loans to individuals in need of immediate funds with the expectation that the loan will be paid back once the borrower receives their next paycheck; and

WHEREAS In addition to fees, payday lenders charge exorbitant interest on payday loans. In Michigan, payday lenders can charge fees reaching over 340% annual percentage rate (APR),¹ while the average credit card APR was at an all-time high of 22.8% in 2023 according to the Consumer Financial Protection Bureau (CFPB);² and

WHEREAS Due to the high interest rates, payday loans can trap borrowers in a cycle of debt as shown by a 2018 study by the Center for Responsible Lending (CRL), which found that 70% of payday loans in Michigan are taken out on the same day a previous loan is repaid, and 86% are taken out within two weeks of another repayment;³ and

WHEREAS These trends are particularly concerning in an economy where 7 in 10 Americans report that they are living paycheck to paycheck;⁴ and

WHEREAS Stores that offer payday loans are specifically located to prey on low-income communities, as mapping data shows that payday lenders are disproportionately located in communities of color and rural areas with the lowest median household income;⁵ and

WHEREAS The Michigan Senate recently passed Senate Bill 632, introduced by Senator Sarah Anthony, which caps the APR for payday loans at 36%; and

WHEREAS SB 632 passed with bipartisan support, and if passed by the House of Representatives, Michigan will join the 20 other states that have passed commonsense regulations to protect their citizens from predatory payday lending practices;⁶ and

WHEREAS Because payday lenders are disproportionately located in low-income urban areas and communities of color, Detroit has a particular interest in protecting its residents from being targeted by payday lenders; **NOW, THEREFORE BE IT**

RESOLVED The Detroit City Council urges the Michigan House of Representatives to pass SB 632; **NOW BE IT FINALLY**

RESOLVED That the Detroit City Clerk send copies of this resolution to the Detroit delegations of both the Michigan State House and Senate, Mayor Mike Duggan, and Governor .Gretchen Whitmer.

¹ [Center for Responsible Lending: Payday Lenders Targeting Vulnerable Michigan Communities](#)

² <https://www.consumerfinance.gov/about-us/blog/credit-card-interest-rate-margins-at-all-time-high/>

³ [Center for Responsible Lending: Payday Lenders Targeting Vulnerable Michigan Communities](#)

⁴ <https://thehill.com/business/4354281-7-in-10-americans-living-paycheck-to-paycheck-will-spend-same-or-less-this-holiday-season-survey/>

⁵ *Id.*

⁶ <https://www.freep.com/story/news/politics/2024/03/14/michigan-senate-payday-loan-interest-rate/72946081007/>

